

WILLROY MINES LIMITED
and
WILLECHO MINES LIMITED

Annual Reports

For the year ended December 31, 1966



This symbol has been selected to represent Canada's Centennial of Confederation in 1967—literally Canada's National 100th birthday symbol. This is an ingenious design of eleven equilateral triangles arranged together into a symbolic Maple Leaf, representing the ten provinces and the Canadian Northern Territories.

FRONT COVER ILLUSTRATION

Photograph shows ore specimen of copper, lead and zinc — also contains silver and gold values.

WILLROY MINES LIMITED

OFFICERS	J. C. L. ALLEN <i>President</i> R. C. STANLEY, Jr. <i>Vice-President</i> R. S. HAFLIDSON <i>Vice-President in charge of Operations</i> B. A. ARGO <i>Secretary</i> B. E. MARTIN <i>Assistant Secretary</i> D. M. LORIMER <i>Comptroller</i>
DIRECTORS	J. C. L. ALLEN P. A. ALLEN, P.Eng. B. A. ARGO J. D. BRYCE, P.Eng. R. S. HAFLIDSON, P.Eng. P. K. HANLEY R. C. STANLEY, JR.
MINE MANAGER	J. I. JARVIS, P.Eng.
TRANSFER AGENTS	The Sterling Trusts Corporation, Toronto, Ontario
AUDITORS	McDonald, Currie & Co., Toronto, Ontario
EXECUTIVE OFFICE	Suite 400, 112 King Street West, Toronto, Ontario

WILLROY MINES LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS:

Your Directors submit herewith the Financial Statements for the period ended December 31st, 1966, together with the Auditors' Report thereon.

Included are the Reports of the Managers at your Company's main base metal operation at Manitouwadge, Ontario and the gold producer designated as the Norlartic Division in the Malartic Area, Quebec.

Because of your Company's fifty percent interest in WILLECHO MINES LIMITED and the importance and benefits of this operation to Willroy, the Report of the Manager of Willecho and the audited Financial Statements are also included.

In keeping with planned increased production from the Willecho mine during its tax free period and the more economical slower mining of Willroy's diminishing ore reserves, Willroy's operating profit decreased to \$715,284 but Willecho's operating profit increased to \$1,292,138. During the year, Willecho reduced its loan to Willroy (not including the apartment buildings' loan) by \$926,429 to \$1,558,899.

During the year four interim dividends of 3 cents each were paid or a total of 12 cents per share.

Your Company's aggressive exploration and development campaign is continuing under the able leadership of Mr. R. S. Hafidson, Vice-President and General Manager. His comments, as expressed in a recent report, are worthy of note:—

"We can see more ore ahead of the mill now than at any time in the history of the Company. Adding 556,000 tons for Willroy and 828,000 tons for Nama Creek to a total of 2,280,000 tons for Willecho gives a grand total of 3,674,000 tons which at present milling rates is an easy seven years."

To Mr. Hafidson, the Staff and all Employees, the Directors take this opportunity of expressing their appreciation for their loyal and efficient services.

Respectfully submitted,

On behalf of the Board,

JOHN C. L. ALLEN,
President.

March 30, 1967.

WILLROY MINES LIMITED

February 13, 1967.

Report of the Mine Manager

To the President and Board of Directors,
WILLROY MINES LIMITED.

Dear Sirs:

I submit herewith a report on the Company's operations at Manitouwadge for the year ended December 31, 1966.

PRODUCTION

Tonnage treated was down slightly from the previous year, the total being 545,138 tons for an average milling rate of 1,494 tons per calendar day. Of this amount, 325,738 tons or nearly 60%, were milled for Willecho Mines Limited on a custom basis. The major part of the remainder was obtained from the Willroy No. 1 and No. 2 zones which accounted for the decrease in grade particularly as to zinc content. Development and stope preparation were in progress in the No. 3 zone to obtain production from the remnant stopes on the hangingwall of the plunge by year-end. The percentages milled from all zones are shown on the following table:

<u>Ore Zone</u>	<u>Tons of Mill Feed</u>	<u>% of Mill Feed</u>
1	67,132	12.3
2	77,331	14.2
3	33,494	6.1
4	25,632	4.7
5	5,453	1.0
6	10,358	1.9
Willecho	325,738	59.8
TOTAL	<u>545,138</u>	<u>100.0%</u>

The grade of the Willroy tonnage milled ran 0.60% copper, 2.80% zinc, 0.22% lead and 2.03 ounces of silver. Concentrate production amounted to 225 cars made up of 65 cars of copper, 144 cars of zinc and 16 cars of lead. This yielded a gross value of \$2,917,141 and a Net Smelter Return of \$2,081,665.

Contained metals, along with the returned values, are shown:

	<u>Metal Production</u>	<u>Net Smelter Return</u>
Zinc	10,696,766 pounds	\$ 684,737
Copper	2,250,136 pounds	942,928
Lead	852,574 pounds	57,729
Silver	311,003 ounces	382,720
Gold	429 ounces	13,551
		<u>\$2,081,665</u>

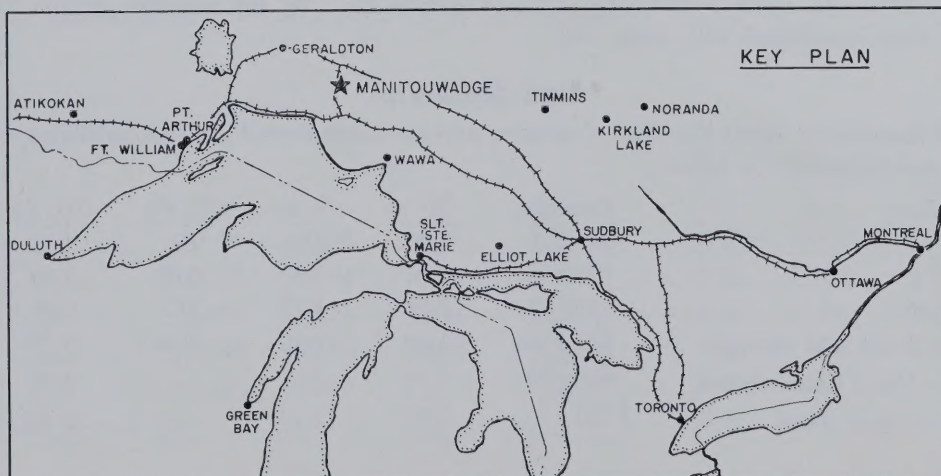
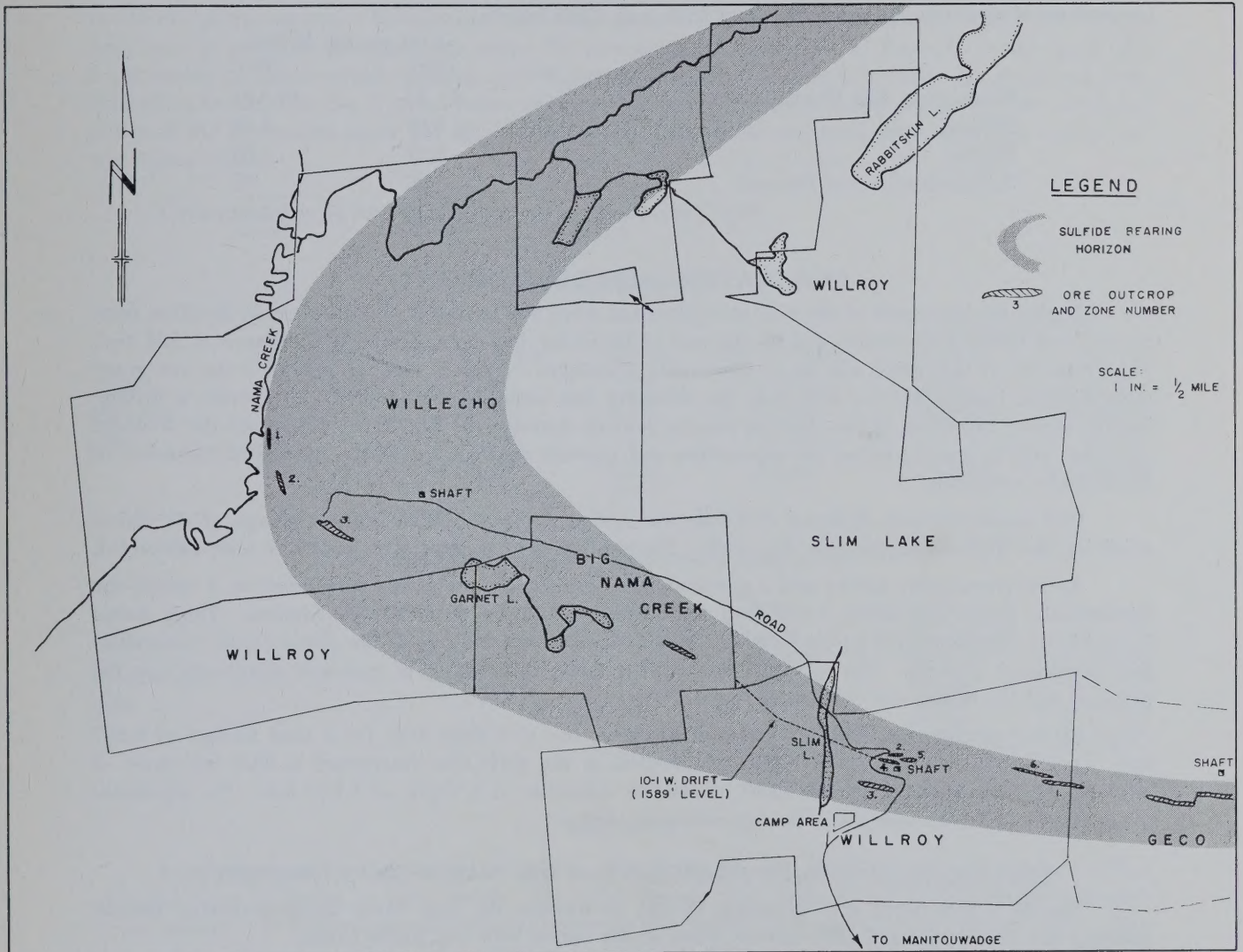
(\$9.49 per ton milled)



View of WILLROY headframe, hoist room, main office, water tower and service shops.
GECO mine headframe and mill in background.

WILLROY MINES LIMITED

MANITOUWADGE ONTARIO



COSTS

Both unit and total operating costs increased during the year reflecting higher labour and material costs, more difficult mining of remnant reserves and the lower tonnage divisor of Willroy production. A comparison of operating costs for the years 1965 and 1966 follows:

	<i>Cost per ton Milled</i>	
	<i>1966</i>	<i>1965</i>
Exploration and Development	\$.27	\$.21
Mining	3.89	3.03
Milling	1.21	1.09
Administration and General88	.85
	<u>\$ 6.25</u>	<u>\$ 5.18</u>

EXPLORATION AND DEVELOPMENT

During the latter part of the year an exploration drive was started in a northwesterly direction from the 16 level (2600 feet) station and by the end of December had been advanced a distance of 224 feet. The objectives of this drive will be to thoroughly investigate—with a view to mining—the ore grade mineralization intersected in a drill hole one thousand feet northwest of the shaft; to provide a drilling base to explore two miles of the sulphide bearing horizon between the Big Nama Creek and the Willecho ore zone; and to provide access for exploration and possible development of the downward extension of the Willecho orebodies.

One assessment-work diamond drill hole was drilled on each of Willroy's two groups of six claims adjoining the Willecho property on the south. Narrow bands of massive iron sulphides were intersected.

An electromagnetic survey and a reconnaissance geological survey were conducted on a twenty-one mining claim group held jointly by Willroy and Marathon Corporation of Canada Limited. These claims located in the Marathon area adjoin Lakehead Mines where a large tonnage of low grade copper mineralization is reported to occur. The surveys indicated that there was nothing of economic significance on the property and the claims were allowed to lapse.

Seven long diamond drill holes were drilled from the 10-1 West drift for a total footage of 6,657 feet. One long hole drilled in a southerly direction at the drift face intersected a 28.8 foot zone of mineralization containing a narrow band of massive sphalerite at a depth of 1,183 feet. No significant mineralization was encountered in the remaining six holes.

EXPLORATION AND DEVELOPMENT — BIG NAMA CREEK PROPERTY

The 10-1 West Drift was advanced 16 feet to traverse the Big Nama Creek boundary thereby fulfilling the Exploration and Development phase of the option with Big Nama Creek.

In preparation for the mining of the Big Nama Creek orebody, twenty-two hundred feet of right-of-way was cleared for an access road to the proposed mining site. By the year-end, sixteen hundred feet of road had been constructed with waste rock.

ORE RESERVES

As of January 1st, 1967 the total of broken, proven and indicated reserves at Willroy Mine stood at 566,170 tons distributed as follows:

<i>Zone</i>	<i>Tonnage</i>	<i>% Cu</i>	<i>% Zn</i>	<i>% Pb</i>	<i>Ozs. Ag</i>
1	188,211	1.39	0.45	TR	0.42
3	258,255	1.05	4.33	0.08	0.98
6	119,704	2.61	1.25	TR	0.89
Total and Average	566,170	1.49	2.38	0.04	0.77
Nama Creek Option	828,000	0.79	3.25	—	0.75
Grand Total	<u>1,394,170</u>	<u>1.07</u>	<u>2.90</u>	<u>—</u>	<u>0.76</u>

MINING

The increased mining costs during 1966 were indicative of the more difficult mining conditions prevailing in the mine. Production was obtained from all zones with the No. 1 and No. 2 zones supplying two-thirds of the tonnage. Development and stope preparation of the ore remaining in the No. 3 zone have been in progress throughout the year. To permit mining operations to continue in the upper sub levels during the severe winter weather, a weatherproof covering was constructed over the mined-out area. Operations in both the No. 2 and 4 zones were concluded as the reserves were depleted. The remaining pillars of the No. 6 zone above the 4th level have been blasted out and final cleanout of the broken ore was taking place.

Underground work for 1966 and to date is summarized below:

DEVELOPMENT

<u>Year</u>	<u>Shaft</u>	<u>Dr's & X-cuts</u>	<u>Raises</u>	<u>Other Excav.</u>	<u>Diamond Drilling</u>	
	<u>Sinking</u>				<u>Surface</u>	<u>U/G</u>
	<u>Feet</u>	<u>Feet</u>	<u>Feet</u>	<u>Tons</u>	<u>Feet</u>	<u>Feet</u>
1955-65	3,385	45,193	8,325	67,953	115,372	332,085
1966	—	1,474	—	1,150	—	11,323
	<u>3,385</u>	<u>46,667</u>	<u>8,325</u>	<u>69,103</u>	<u>115,372</u>	<u>343,408</u>

STOPING AND STOPE PREPARATION

<u>Year</u>	<u>Dr's & X-cuts</u>	<u>Sub Drifts</u>	<u>Raises</u>	<u>Other Excav.</u>	<u>Stoping</u>
	<u>Feet</u>	<u>Feet</u>	<u>Feet</u>	<u>Tons</u>	<u>Tons</u>
1955-65	5,590	27,425	22,344	29,608	2,954,093
1966	499	1,911	2,291	2,325	178,445
	<u>6,089</u>	<u>29,336</u>	<u>24,635</u>	<u>31,933</u>	<u>3,132,538</u>

MILLING

Lower heads and a decrease in the milling rate during the last quarter resulted in higher milling costs and lower recoveries of some metals. No major changes took place in the milling process although it was necessary to reduce operating time to maintain the milling rate above 1,600 tons per day. This increased downtime was utilized for mechanical maintenance and to overcome the shortage of experienced operators. Metallurgical results of both the zinc and copper compared favourably with the previous year while the improvement in lead recovery offset the decline in silver.

1966

Average daily tonnage — 1,494 tons					Mill operating time — 90.0% of total			
	<u>Assays</u>				<u>Recoveries</u>			
	<u>Ag</u>	<u>Cu</u>	<u>Pb</u>	<u>Zn</u>	<u>Ag</u>	<u>Cu</u>	<u>Pb</u>	<u>Zn</u>
Heads	1.93	0.62	0.23	3.52	100.0	100.0	100.0	100.0
Cu Conc.	52.49	24.34	1.08	5.95	56.5	82.0	9.6	3.5
Pb Conc.	46.30	4.28	41.43	6.33	11.9	3.4	88.3	0.9
Zn Conc.	1.45	0.48	0.09	54.57	4.2	4.3	2.1	86.8
Tails57	0.07	—	.34	27.4	10.3	—	8.8
Payable Recoveries					68.4	85.4	88.3	86.8

1965

Average daily tonnage — 1,581 tons					Mill operating time — 96.4% of total			
<i>Assays</i>					<i>Recoveries</i>			
	<i>Ag</i>	<i>Cu</i>	<i>Pb</i>	<i>Zn</i>	<i>Ag</i>	<i>Cu</i>	<i>Pb</i>	<i>Zn</i>
Heads	1.75	0.69	0.23	4.21	100.0	100.0	100.0	100.0
Cu Conc.	42.70	23.64	1.56	5.97	58.9	82.1	15.8	3.4
Pb Conc.	48.97	5.56	41.06	7.22	13.0	3.7	79.9	0.8
Zn Conc.	1.10	0.46	0.06	55.29	4.2	4.4	1.6	86.8
Tails	0.46	0.08	0.007	0.42	23.9	9.8	2.7	9.0
Payable Recoveries					71.9	85.8	79.9	86.8

CAPITAL EXPENDITURES

The major capital expenditure during the year under review was an addition to the plant to handle and store Willecho ore. This ore handling complex consisting of 296 feet of 30" inclined conveyor, a 1,500 ton R.O.M. bin, vibratory feeders and related equipment, will allow transmission of custom ore directly to the surface crushing plant. In addition, a second fresh water well was drilled at the Manitouwadge Lake site to provide additional quantities of fresh water for mill use. Equipment items purchased for surface departments included a larger tailings pump for the mill, a hopper sander for surface roads, a company station wagon for exploration purposes and a Techtron atomic absorption spectrophotometer for geochemical exploration.

In addition to replacement rockdrills, a Zax 202 drill rig with 3 high speed machines was obtained to expedite drifting operations.

GENERAL

The number of persons employed on Willroy operations at year-end decreased from 334 to 295. This number includes the 85 personnel at Willecho and 35 contractors, caterers and security police. The above figures reflect the shortage of skilled labour throughout the mining industry, which had a detrimental effect on development schedules. Turnover during the year averaged 8% with a peak of 15% during the month of August.

Effective November 16, 1966, a new Collective Agreement was concluded with the United Steelworkers of America and provided for annual increases of 7%, 4% and 4½% over the 32-month contract. Additional fringe benefits included shift premiums, longer vacations, 1 extra statutory holiday and an improved welfare plan.

Accident frequency for the year was down to 20.6 compensation accidents per million men hours as compared with 31.0 the previous year.

Copper concentrate production was again shipped to the smelter at Noranda, P.Q., zinc shipments to the Sherbrooke Metallurgical Company at Port Maitland and lead to American Smelting and Refining Company at their smelter at East Helena, Montana.

Overall expenditures on the Willroy and Willecho operations for the year included \$1,725,000 in wages, \$1,280,000 in supplies or services, \$2,000,000 in smelter charges and \$475,000 in freight.

I wish to record my appreciation to the President and Board of Directors for their assistance and direction during the past year. At the same time I wish to thank Mr. R. S. Haffidson, Vice-President, for his consistent support and guidance, to the General Superintendent for his leadership and cooperation and to the department heads, staff and employees for their loyal service to the company.

Respectfully submitted,

J. I. JARVIS,
Mine Manager.

WILLROY MINES LIMITED

Report of the Manager

Halet, Quebec,
February 14, 1967.

The President and Directors,
WILLROY MINES LIMITED,
Norlartic Division.

Dear Sirs:

Herewith is a report covering the operation and production of the Company for the year ended December 31, 1966.

Underground mining came to an end in November 1966 with the hoisting of the last ore on November 25. Salvage work in the mine was completed and the last of the hourly rated employees were laid off on November 30, 1966. Employment was found for all Norlartic employees in member mines of the Little Long Lac organization.

The mine produced 133,646 tons of ore and 19,035 ounces of gold. With no development being done this resulted in an operating profit for the year of \$167,560 or \$1.25 a ton.

From the start of milling on June 1, 1959, 1,139,443 tons were milled which produced 145,610 ounces of gold and 15,189 ounces of silver.

In 1966 the Company paid \$295,107 in wages and salaries including workmen's compensation, unemployment insurance and other employee benefits and \$87,516 on supplies. Services and supplies purchased from associated companies amounted to \$393,898.

All administrative, engineering and general services were provided by Malartic Gold Fields (Quebec) Limited.

In conclusion I wish to express my thanks to the Officers and Directors for their co-operation and support. I wish also to thank the Supervisory Personnel and all employees for their efficient services during the year.

Respectfully submitted,

WILLROY MINES LIMITED,
NORLARTIC DIVISION,
M. D. KENNEDY,
Manager.

WILLROY M

Balance Sheet as

ASSETS

CURRENT ASSETS:

Settlements receivable and concentrates in transit — at estimated realizable value (part of which is assigned as collateral security on the bank loan)	1,490,870	
Receivable under the Emergency Gold Mining Assistance Act	126,157	
Accounts receivable	21,765	
Due from associated company	4,550	
Marketable securities — at cost (quoted market value \$747,900) (pledged as collateral for bank loan)	912,239	
Prepaid expenses	64,760	
Materials and supplies — at cost	335,369	2,955,710

FEDERAL SPECIAL 5% REFUNDABLE TAX		9,477
-----------------------------------	--	-------

INVESTMENTS AND ADVANCES:

Non-marketable shares — at cost —		
Willecho Mines Limited (note 2)	100,000	
Slimlake Mines Limited	123,212	
7¼% mortgage receivable — Willecho Mines Limited	432,083	
Advances —		
Re Big Nama Creek Mines Limited Project	156,936	
Willecho Mines Limited (note 2)	1,558,899	2,371,130

FIXED ASSETS — at cost:

Buildings, plant and equipment	7,712,370	
Accumulated depreciation	6,975,597	
	736,773	
Mining properties	175,264	912,037

OTHER ASSETS AND DEFERRED EXPENDITURE:

Development expenditure — at cost, less amounts written off	508,756	
Railway spur line — at cost, less amounts recovered	57,657	566,413
		<u>6,814,767</u>

AUDITORS' REPORT

We have examined the balance sheet of Willroy Mines Limited as at December 31, 1966 and the statements of earnings and retained earnings and source and use of funds for the period from June 1, 1966 to December 31, 1966. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

TORONTO, March 3, 1967.

MINES LIMITED

December 31, 1966

LIABILITIES

CURRENT LIABILITIES:

Bank loan — secured	204,000	
Bank overdraft	127,943	
Accounts payable and accrued liabilities	423,006	
Provision for taxes	15,600	
Settlements payable — Willecho Mines Limited	306,395	
Due to associated companies	10,007	1,086,951

LONG-TERM DEBT:

Mortgage loans on employees' residences	279,021
---	---------

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 4):

Authorized —

6,000,000 shares without par value

Issued —

4,279,244 shares	4,279,244
Discount thereon	1,495,017

2,784,227

RETAINED EARNINGS	2,664,568	5,448,795
-------------------------	-----------	-----------

Approved on behalf of the Board:

J. C. L. ALLEN, Director.

R. C. STANLEY, JR., Director.

6,814,767

THE SHAREHOLDERS

In our opinion, the accompanying balance sheet and statements of earnings and retained earnings and source and use of funds when read in conjunction with the notes thereto, present fairly the financial position of the company as at December 31, 1966 and the results of its operations for the period ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.,
Chartered Accountants.

WILLROY MINES LIMITED

Statement of Earnings and Retained Earnings

For the period from June 1, 1966 to December 31, 1966

	June 1, 1966 to December 31, 1966	Combined operations for the year ended December 31, 1966 (note 1)
REVENUE:	\$	\$
Base metal operations	1,612,762	2,917,141
Bullion recovery	411,650	720,068
	<u>2,024,412</u>	<u>3,637,209</u>
Less: Marketing, smelting and refining charges	460,390	840,551
	1,564,022	2,796,658
Assistance under the Emergency Gold Mining Assistance Act	111,768	195,599
	<u>1,675,790</u>	<u>2,992,257</u>
EXPENDITURE:		
Development	35,747	60,695
Mining	735,377	1,318,502
Milling	243,023	456,190
Mine office administration and general	167,751	279,310
	<u>1,181,898</u>	<u>2,114,697</u>
PROFIT BEFORE THE FOLLOWING	<u>493,892</u>	<u>877,560</u>
Deduct:		
Head office administration and general (including directors' fees of \$4,200)	75,490	115,049
Interest (net)	12,249	54,053
Provision for depreciation	144,254	242,200
Deferred development expenditures written off	216,294	366,522
Mining taxes	9,600	15,212
Amalgamation expenses	31,510	39,597
Outside exploration	7,855	8,641
	<u>497,252</u>	<u>841,274</u>
	(3,360)	36,286
OTHER REVENUE	45,726	70,276
	42,366	106,562
PROVISION FOR INCOME TAXES (note 3)	—	16,405
NET EARNINGS FOR THE PERIOD	<u>42,366</u>	<u>90,157</u>
RETAINED EARNINGS — JUNE 1, 1966	3,116,060	
	<u>3,158,426</u>	
Less:		
Dividends paid	385,132	
Loss on sale of investments	108,726	
	493,858	
RETAINED EARNINGS — DECEMBER 31, 1966	<u>2,664,568</u>	

WILLROY MINES LIMITED

Statement of Source and Use of Funds

For the period from June 1, 1966 to December 31, 1966

SOURCE OF FUNDS:		\$
Net earnings for the period		42,366
Add: Charges not requiring cash outlay —		
Provision for depreciation	144,254	
Deferred development expenditures written off	216,294	360,548
Repayment of advances by Willecho Mines Limited		414,702
Repayment of mortgages by Willecho Mines Limited		5,000
Recovery on railway spur line		9,000
		<u>831,616</u>
Deduct: Loss on sale of investments		108,726
		<u>722,890</u>
USE OF FUNDS:		
Dividends paid	385,132	
Development expenditure	53,768	
Purchase of shares of Slimlake Mines Limited	35,000	
Advances re Nama Creek Mines Limited Project	9,104	
Repayment of mortgage loans on employees' residences	16,224	
Federal special 5% refundable tax	9,477	
Additions to fixed assets (net)	194,162	702,867
INCREASE IN WORKING CAPITAL		<u>20,023</u>
WORKING CAPITAL — JUNE 1, 1966		1,848,736
Increase in working capital		20,023
WORKING CAPITAL — DECEMBER 31, 1966		<u>1,868,759</u>

Notes to Financial Statements

For the period from June 1, 1966 to December 31, 1966

1. On June 1, 1966, under the provisions of Section 96 of The Corporations Act (Ontario), letters patent were issued to Willroy Mines Limited confirming the statutory amalgamation of Norlartic Mines Limited and Willroy Mines Limited. Upon amalgamation all the outstanding shares of the amalgamating companies were converted into 4,279,244 shares of the company. The combined operating results for the full year covering the operations of Willroy Mines Limited and the predecessor companies are presented for information purposes only and are unaudited.
2. The company's share (50%) of the 1966 earnings of Willecho Mines Limited amounted to \$416,900 and its share of the undistributed accumulated earnings from date of acquisition to December 31, 1966 amounted to \$555,000. These amounts are not reflected in these statements.
3. Because of exemptions and deductions permitted for tax purposes, it is estimated that there is no liability for income taxes for the year, except for provincial mining taxes.
4. The company has granted an option to an employee to purchase 25,000 shares at \$1.50 per share expiring on October 26, 1971.

WILLECHO MINES LIMITED

February 13, 1967.

Report of the Manager

The President and Board of Directors,
WILLECHO MINES LIMITED,
112 King Street West,
TORONTO, Ontario.

Dear Sirs:

Presented herewith is a report of the Company's operations at Manitouwadge for the year 1966.

PRODUCTION

The year's operation produced a total of 325,738 tons of ore grading 0.63% Cu, 3.89% Zn, 0.22% Pb and 1.79 oz. Ag. The above production represents the combined ore mined from four operating levels during the year. Over 50% of this was obtained from stopes above the 400 level horizon.

The ore was treated at the Willroy Mill and the resulting concentrates had the following metal content:

Zn	22,078,863	pounds
Cu	3,541,349	pounds
Pb	1,271,554	pounds
Ag	391,567	ounces
Au	648	ounces

The concentrates were valued at \$5,071,400 from which was obtained a net smelter return of \$3,431,364 or an equivalent of \$10.53 per ton of ore produced.

Production and operating costs were adversely affected by a shortage of skilled miners and higher wage rates. However, these were counterbalanced by new techniques and efficiencies, resulting in reduced operating costs as compared to the previous year.

	1966	1965
Exploration and Development	\$.36	\$.51
Mining	3.60	3.91
Milling	1.32	1.20
Administration and General	1.04	1.11
	<u>\$ 6.32</u>	<u>\$ 6.73</u>

DEVELOPMENT AND MINING

Level development and stope preparation kept pace with the rate of mining. One new level was brought into production during the year and the 1000 level main X-cut was established to the ore zone. On two levels the previously developed ore was mined out. These levels will require further development to prepare additional ore for mining as outlined by subsequent diamond drilling.

No basic changes were made in the mining methods employed. Up-dip room and pillar mining with top slicing and benching in the thicker sections was carried on. Broken ore was handled by 50 H.P. - 3 drum slushers to box-hole chutes and trammed to the ore pass. The changing attitude of the ore zone with local variations in dip and thickness taxed the skill and experience of both miners and supervision. Averaged monthly efficiencies of up to 20 tons per man shift worked underground were achieved by these methods.

Development advances and other excavations for the year are tabulated below:

DEVELOPMENT

<i>Year</i>	<i>Shaft Sinking Feet</i>	<i>Drifts & X-Cuts Feet</i>	<i>Raises Feet</i>	<i>Other Excavations Tons</i>	<i>Diamond Drilling Surface Feet</i>	<i>U/G Feet</i>
1963-65 -----	1,361	5,265	2,384	19,590	53,336	48,474
1966 -----	—	3,331	27	2,602	27,187	50,118
Total -----	<u>1,361</u>	<u>8,596</u>	<u>2,411</u>	<u>22,192</u>	<u>80,523</u>	<u>98,592</u>

STOPE PREPARATION AND STOPING

<i>Year</i>	<i>Drifts & X-Cuts Feet</i>	<i>Sub Drifts Feet</i>	<i>Raises Feet</i>	<i>Other Excavations Tons</i>	<i>Stoping Tons</i>
1965 -----	40	1,408	6,620	7,035	257,940
1966 -----	—	1,097	6,006	6,707	298,276
Total -----	<u>40</u>	<u>2,505</u>	<u>12,626</u>	<u>13,742</u>	<u>556,216</u>

EXPLORATION AND ORE RESERVES

The program of deep drilling on the Slimlake-Willecho boundary to test the continuity of the Willecho ore zone to depth was completed. Four holes drilled during the year intersected economic sulphides. The best intersection was 10 feet averaging 0.45% Cu, 0.87% Zn, and 1.71 oz. Ag at a depth of 2,120 feet and 8,500 feet down plunge from the surface outcrop.

Three additional surface holes were drilled across the No. 3 ore zone 6,000 feet down plunge from the outcrop. Two of these intersected ore grade material. The best section averaged 1.32% Cu, 2.01% Zn, 0.31 Pb, and 1.91 oz. Ag over 12.2 feet at a vertical depth of 1,553 feet.

Surface drilling on No. 1 and No. 2 zones indicate that mineable ore grade and thicknesses occur in these zones to a vertical depth of 725 feet and 625 feet respectively. Further testing will be done by underground exploration.

On the 1000 level an exploration x-cut to the east, parallel to the plunge line of ore, was driven to facilitate detailed drilling of the No. 3 zone below this level. Together with other level developments and diamond drilling new ore has been added to the existing ore reserves. At year end the total proven and indicated ore reserves in No. 3 zone down to 1,350 feet horizon stood at 2,280,000 tons grading 0.48% Cu, 4.29% Zn, 0.18% Pb, and 1.84 oz. Ag.

CAPITAL EXPENDITURES AND GENERAL

Some additions to the plant and equipment were necessary during the year. The main items for underground were several chute fabrications, two 50 H.P. slushers with scrapers, underground power cables and switches, and a 60,000 c.f.m. ventilation fan. On surface a 10,000 gallon tank to supply adequate water pressure for compressors and fire protection was erected.

The total work force on the Willecho property at year end was 79 hourly rated men and six supervisors. Shop and service personnel were provided by Willroy Mines on a shared basis. Monthly absenteeism ranged from 3% to 18% and the average monthly labour turnover was 6%. Labour relations have continued to be good.

With custom milling of ores by Willroy Mines and the sharing of shops, services and some supervision and administration personnel, I again take this opportunity to record my appreciation of the co-operation and assistance provided by Willroy Mines. I would also like to thank Mr. R. S. Haflidson, Managing Director, for his support and guidance of our efforts, also the underground supervisory staff and the engineering, geology and safety departments for their continuing good work.

Respectfully submitted,

J. TOIVANEN,
Manager.

WILLECHO M

Balance Sheet as at

ASSETS		1966	1965
CURRENT ASSETS:		\$	\$
Cash		3,703	7,771
Due from associated company		6,000	—
Settlements receivable and concentrates in transit		306,395	281,787
Prepaid expenses		—	1,425
		<u>316,098</u>	<u>290,983</u>
FEDERAL SPECIAL 5% REFUNDABLE TAX		21,160	—
FIXED ASSETS — at cost:			
Buildings and equipment		1,668,311	1,605,928
Apartment building — pledged as security for mortgage payable		440,406	439,212
		<u>2,108,717</u>	<u>2,045,140</u>
Accumulated depreciation		487,042	230,616
		<u>1,621,675</u>	<u>1,814,524</u>
Mining properties		100,000	100,000
		<u>1,721,675</u>	<u>1,914,524</u>
OTHER ASSETS AND DEFERRED EXPENDITURE:			
Preproduction and development expenditure — at cost, less amounts written off		1,322,100	1,251,758
Incorporation expense		4,985	4,985
		<u>1,327,085</u>	<u>1,256,743</u>
Approved on behalf of the Board:			
R. C. STANLEY, Jr., Director.			
J. C. L. ALLEN, Director.			
		<u>3,386,018</u>	<u>3,462,250</u>

AUDITORS' REPORT

We have examined the balance sheet of Willecho Mines Limited as at December 31, 1966 and the statements of earnings and retained earnings and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

TORONTO, March 3, 1967.

MINES LIMITED

December 31, 1966

LIABILITIES

	1966	1965
	\$	\$
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	34,906	34,456
Mortgage interest payable	7,390	7,400
Provision for mining taxes	42,700	18,000
Current portion of mortgage payable	10,000	10,000
	<u>94,996</u>	<u>69,856</u>
MORTGAGE PAYABLE — 7 $\frac{1}{4}$ % — to Willroy Mines Limited (secured by the apartment building)	432,083	440,888
Less: Current portion included above	10,000	10,000
	<u>422,083</u>	<u>430,888</u>
ADVANCE FROM WILLROY MINES LIMITED	<u>1,558,899</u>	<u>2,485,328</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK:		
Authorized —		
3,000,000 shares with a par value of \$1 each		
Issued and fully paid —		
3,000,000 shares	3,000,000	3,000,000
Discount thereon	2,799,995	2,799,995
	<u>200,005</u>	<u>200,005</u>
RETAINED EARNINGS	1,110,035	276,173
	<u>1,310,040</u>	<u>476,178</u>
	<u>3,386,018</u>	<u>3,462,250</u>

NOTE: The company has been granted an exemption under section 83(5) of the Income Tax Act in respect of income derived from mining operations covering the period from January 1, 1965 to December 31, 1967.

THE SHAREHOLDERS

In our opinion, the accompanying balance sheet and statements of earnings and retained earnings and source and use of funds, when read in conjunction with the note thereto, present fairly the financial position of the company as at December 31, 1966 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.,
Chartered Accountants

WILLECHO MINES LIMITED

Statement of Earnings and Retained Earnings

For the Year Ended December 31, 1966

	1966	1965
	\$	\$
REVENUE FROM PRODUCTION	5,071,400	4,138,212
Less: Marketing, smelting and refining charges	1,640,036	1,498,623
	<u>3,431,364</u>	<u>2,639,589</u>
EXPENDITURE:		
Development	116,249	143,400
Mining	1,173,441	1,107,418
Milling	428,859	340,671
Mine office administration and general	340,060	315,750
	<u>2,058,609</u>	<u>1,907,239</u>
PROFIT BEFORE THE FOLLOWING	<u>1,372,755</u>	<u>732,350</u>
Deduct:		
Head office administration and general	1,488	4,765
Interest	36,429	32,983
Ontario mining tax	42,700	18,000
Preproduction and deferred development expenditures written off	198,114	169,177
Provision for depreciation	260,162	231,252
	<u>538,893</u>	<u>456,177</u>
NET EARNINGS FOR THE YEAR	<u>833,862</u>	<u>276,173</u>
RETAINED EARNINGS — BEGINNING OF YEAR	276,173	—
RETAINED EARNINGS — END OF YEAR	<u>1,110,035</u>	<u>276,173</u>

Statement of Source and Use of Funds

For the Year Ended December 31, 1966

SOURCE OF FUNDS:		\$
Net earnings for the year		833,862
Add: Charges not requiring cash outlay —		
Provision for depreciation	260,162	
Preproduction and deferred development expenditures written off	198,114	458,276
		<u>1,292,138</u>
USE OF FUNDS:		
Federal special 5% refundable tax	21,160	
Additions to fixed assets (net)	67,313	
Deferred expenditures	268,456	
Repayment of mortgage	8,805	
Repayment of advances to Willroy Mines Limited	926,429	1,292,163
DECREASE IN WORKING CAPITAL		<u>25</u>
WORKING CAPITAL — BEGINNING OF YEAR		221,127
Decrease in working capital		25
WORKING CAPITAL — END OF YEAR		<u>221,102</u>



Underground scene
WILLROY mine
showing start of drift
on 16th level.



View of WILLECHO
headframe, ore bin,
hoist room, service and
dry facilities and
office.



*Kiwissa Ski Chalet and
ski tow erected and
maintained for the
enjoyment of mine
employees and
residents of the Town
of Manitouwadge.*

